

REVISED:

Background: Potential changes in tax treatment of sales of entertainment content via digital, broadcast, cable, satellite, and other media ("video streaming")

I. Different types of content providers/dealers:

- Cable
- Satellite
- Providers of telecommunications (AT&T, Eatel, and others)
- Video streaming services (on demand and subscription services such as Hulu, Netflix, Amazon, and others)

II. Current taxation in LA

- Local governments impose a franchise fee of up to 5% on gross revenues of providers of cable or video service [cable companies, telecommunications companies] who use local government's right of way property for their transmissions.
- Satellite providers are not subject to the 5% franchise tax because of the manner in which their equipment is sited. Further there is a federal prohibition on local sales taxes on *home* satellite tv service.
- There is a state and local sales and use tax exemption for sales by cable providers.

III. Options

- Extend state sales tax to these types of amusements.
- With regard to a local sales and use tax on these types of amusements:
 - ▶ The existence of the franchise fee imposed on the invoices of cable and other providers adds complexity to the development of a uniform policy of taxation between the provider types.
 - ▶ The existence of the federal prohibition on local taxation of satellite services adds complexity to the development of a uniform policy of taxation between the provider types.